National Centrex Users Group
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To Whom It May Concern:

The National Centrex Users Group has been in existence since 1982 with a mission statement intended to promote common business interests, encourage professional development, stimulate the free exchange of ideas and vocalize the needs of Centrex users, independent of the technology or manufacturer of their service vehicle. Our current membership consists of representation of over 3,000 companies across the United States and Canada; the majority of our membership being from the United States.

The purpose of this communication is to voice our opposition to CC Docket Number 96-45.

Since 1997 the Commission's policy has been to allow ILEC's to charge their Centrex Customers for federally mandated contributions using a ratio of one-to-nine of the rate charged to PBX Trunks.

The Commission has repeatedly recognized that Centrex and PBX services are direct competitors, but that a single PBX trunk supports a number of separate lines behind the PBX. As a result, the Commission adopted this "equivalency ratio" because it did not want regulatory requirements to influence consumers' choice of Centex or PBX service.

In the context of the Presubscribed Interexchange Carrier Charge (PICC) (FCC 97-368), the first contribution subject to this policy, the Commission said:

"It did not want to wish to encourage a large customer to choose one of these arrangements, PBX, over another, Centrex, simply because as a result of its IXC being charged substantially more PICC's (non-cost related charges for Centrex Service, the PBX becomes cheaper)."

This policy was extended in 1998 to Local Number Portability (LNP) cost recovery (FCC 98-82):

> "We set the PBX charge at nine times the level of the ordinary charge because Centrex and PBX arrangements are functionally equivalent. To do otherwise could encourage a large customer to choose one of these arrangements over the other because of the number portability charge, and thus would not be competitively neutral."

This equivalency policy was then applied to federal universal service charges in the 2000 CALLS Order (FCC 00-193), which codified that application in 47 C.F.R. э 69.158.

In the Report and Order and Second Further Notice of Proposed Rulemaking released on December 13, 2002, (FCC 02-329) the Commission proposed (at & 76 and & 87) to retain the Centrex equivalency factor in two of the connection-based mechanisms it is considering. Further, there is no discussion in the Report and Order that the Commission consciously intended to abolish the equivalency factor for the interim period. However, that could be the practical result of the interim order.

Contribution payments to the FCC's universal service fund administrator by local telephone companies are based on total interstate revenues, including the full multiline business Subscribe Line Charges (SLC) paid by Centex customers. By adopting new rule 47 C.F.R. э 54.712 that prohibits telephone companies from charging any customer more than their specific monthly interstate bill times the Commission approved federal universal service contribution factor, the Report and Order could be read to have eliminated the ability of telephone companies to recover from any other customer the eight-ninths of the Centrex contribution not recovered directly from the Centrex customer. The unintended practical effect of the Report and Order could be to negate the equivalency policy for PBX and Centrex. That is, unless a contributing company elects to not recover the millions of dollars of contribution associated with not charging the full recovery amount to Centrex customers, Centrex customers might have to be charged the full amount.

The National Centrex Users Group strongly urges the Commission to fix this problem immediately, and during the interval required to complete the regulatory process to correct the situation, to permit telephone companies to maintain the *status quo* in their manner of recovering contributions to the Federal Universal Service program from Centrex customers.

Sincerely,
John A. Heiden, President